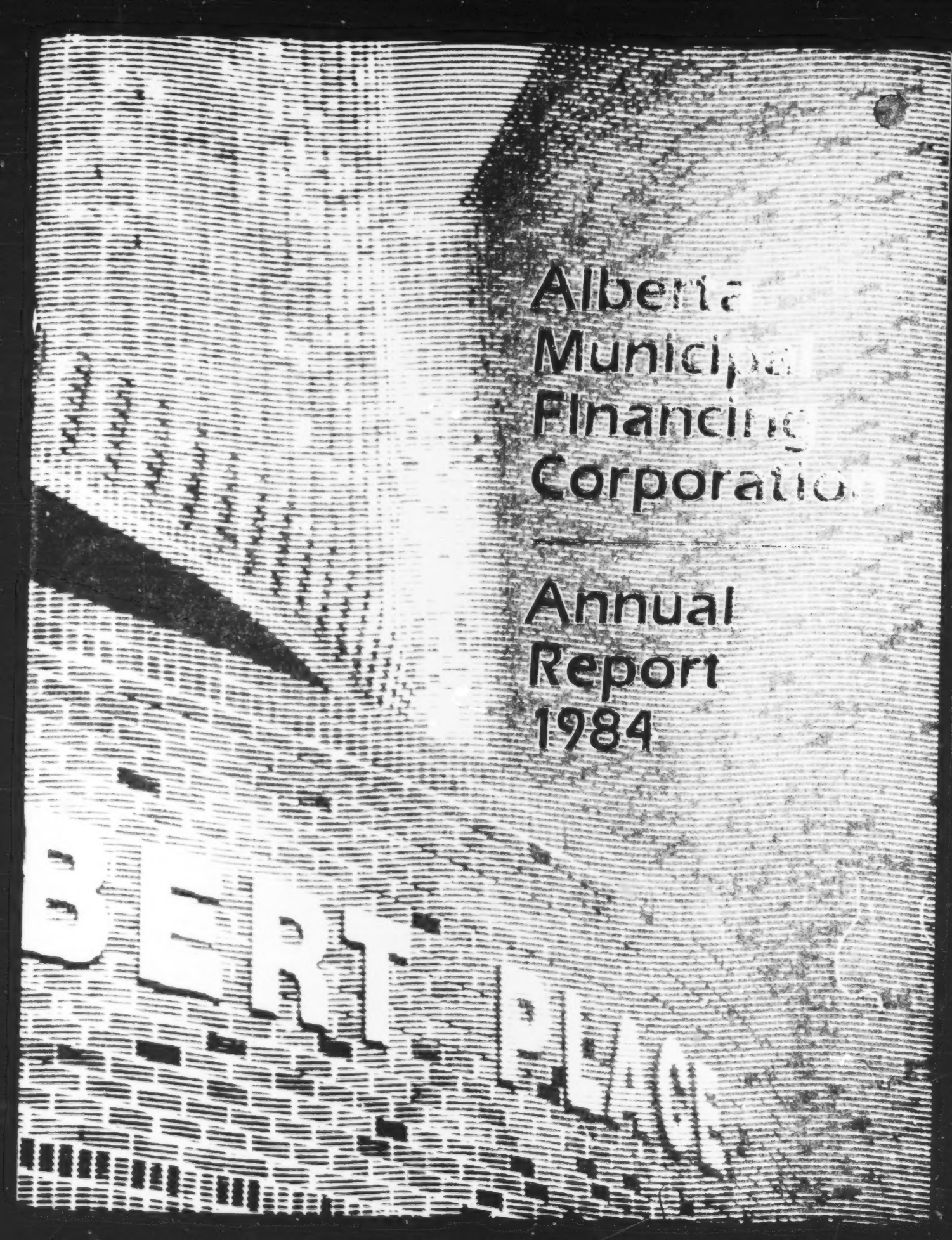
Alberta
Municipal
Financing
Corporation
Annual
Report
1984

85-5370/

Directors

APPOINTED

E.E. Borstad
A.F. Collins
Dr. E.J. Hanson
R.A. Splane
F.G. Stewart

ELECTED

M.R. Parker
Representing Class B shareholders

A.F. Womack
Representing Class C shareholders

M.J. Schmitke
Representing Class D shareholders

E. Murray
Representing Class E shareholders

Officers

F.G. Stewart
President and Chairman of the Board

C.P. Hayes
Honorary Chairman

M.R. Parker
Vice-President

H.H. Strohbach
General Manager

J.D. Peters
Assistant General Manager

G.T. Dodds
Secretary-Treasurer

Offices

Sir Frederick W. Haultain Building
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Edmonton, Alberta
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Board of Directors

A.F. Collins

A.F. Womack

M.R. Parker

R.A. Splane

M.J. Schmitke

E. Murray

Dr. E.J. Hanson

E.E. Borstad

C.P. Hayes

President's Report

March 4, 1985

F. G. Stewart
President and Chairman of the Board

The year 1984 saw another significant reduction in new loans issued by the Alberta Municipal Financing Corporation. New loans for 1984 totalled $554 million, compared to the $622 million issued in 1983 — a decrease of nearly 11 per cent. Of these new loans, 78.6 per cent were issued for municipal purposes and 21.4 per cent were issued for school purposes. This compares with 71.4 per cent and 28.1 per cent respectively for loans issued in 1983. This change in the borrowing pattern confirms the comment in last year's report that the decline in borrowing for school purposes would have a greater impact in 1984 than was evident in 1983. In fact, borrowing for school purposes dropped by $56.5 million, or over 32 per cent, compared to a decline of only 6.5 per cent in 1983. On the other hand, loans for municipal purposes decreased by only $8.7 million in 1984 from those issued in 1983. A significant reduction in borrowing by most municipalities across the province was almost offset by an increase in loans issued to the city jurisdictions. This can be attributed to major construction projects which the cities were committed to complete.

You will recall that the Board of Directors introduced a "stop-loss settlement" policy late in 1983. This policy was structured to protect the corporation from the significant losses that would occur in accepting prepayment of high interest rate loans and re-lending these funds at lower rates. Loan prepayments were virtually halted until Alberta Municipal Affairs announced that it would reimburse municipalities for the lesser of the penalty or the present value of the saving to its Municipal Interest Subsidy Program. Alberta Education announced a similar policy for prepayments of school debt. As well, the corporation's Loan Regulation was amended to exempt municipalities from a penalty on the prepayment of special assessment local improvement debentures which are not eligible for the interest subsidy and which are a direct charge on ratepayers. However, it should be pointed out that prepayment privileges are not automatic; they are subject to the approval of the Board of Directors.

At December 31, 1984, total loans outstanding amounted to $4.9 billion, compared to $4.5 billion at the end of 1983. Total loans outstanding will undoubtedly exceed the $5 billion mark by the end of 1985, as estimates of new borrowings exceed the loan principal payments expected to be received in 1985 by about $205 million. Based on estimates received from shareholders, we are forecasting that new loans will decrease to about $425 million in 1985 (See Schedule of Estimated Requirements at the end of this report), while regular principal payments on loans receivable will total about $220 million in 1985.

The interest rates charged by the corporation changed several times during the year, as rates rose significantly through the first half of the year and then declined toward the end of 1984. For example, rates for a 20-year loan started the year at 12-5/8 per cent, rose to 14-3/8 per cent by mid-year and then declined to 13-1/8 per cent by year-end. In general, AMFC lending rates are intended to recover the corporation's cost of borrowing.

The setting of interest rates by the corporation has taken on more importance from a shareholder perspective now that the municipal and school interest rebates no longer apply on most new loans. The rates established by the corporation now determine the effective cost of capital borrowing for local authorities. This has not been the case for the last ten years, as municipal and school jurisdictions were mainly concerned with the base rate established for interest subsidization. The exceptions were loans for utility purposes and other loans that did not qualify for the interest subsidy rebates.

While AMFC interest rate changes may, on occasion, lag behind rate changes in the capital markets, your Board of Directors feels confident that loans from the corporation provide municipal authorities with the most economical source of long-term capital financing available. In comparing AMFC interest rates with those quoted in the public markets, one must keep in mind that the corporation's loans require only annual payments of interest and

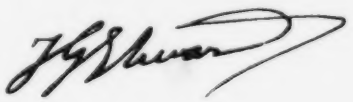
principal, while interest on most domestic debt issues quoted in the public market require semi-annual interest payments. Debt issue costs as well as registration and record maintenance costs must also be considered in any comparison of interest rates.

Turning for a moment to financing across Canada, municipal borrowing produced gross new issues of approximately $1.4 billion in public markets, plus an estimated $630 million issued directly to provinces and their agencies, for a total of approximately $2 billion during 1984. This was down from the record $2.8 billion borrowed in 1982; however, activity in public markets was greater than the $1.1 billion recorded in 1983. The total of issues sold directly to provinces and their agencies was less than the $800 million transacted in 1983, due primarily to a reduction by the AMFC. In 1984, market financing as a percentage of total municipal financing was approximately 70 per cent, compared to 55 per cent in 1983.

Borrowing abroad increased to approximately $773 million, up from last year's $411 million, and was the highest since the $816 million completed in 1976. Foreign borrowing represented about 39 per cent of the total new financing in 1984. Very little of this was financed in the United States, with most of the activity being in the Eurobond market, where all-in yields often produced savings of more than one-quarter of one per cent compared to markets in Canada or the United States. Several Canadian cities, including Edmonton, Winnipeg, Ottawa and Toronto, financed issues in the Eurobond market.

Across Canada, the attitude of those involved in municipal financing remains cautiously optimistic due to continuing lower interest rates and a somewhat improved economic climate. However, a desire for prudence persists, with an increasing number of treasurers preferring to finance capital projects on a pay-as-you-go basis. As well, when external financing was required, the trend was to utilize serial issues with equal annual payments of blended interest and principal over the life of the bond, rather than a single principal payment at maturity.

After an association with AMFC that goes back to its inception, I am stepping down as your President. I have enjoyed my work in various capacities with the corporation and particularly my last nine years as President. I take this opportunity to express my sincere appreciation to the many staff members and directors who have contributed to the success of the corporation over these many years.



F. G. Stewart
President and Chairman
of the Board

Schedule of Estimated Requirements

(thousands of dollars)

By Jurisdiction	1985 Estimated	1984 Actual	1984 Estimated	1983 Actual
Cities	$279,828	$416,688	$472,499	$402,621
Towns	35,370	13,649	37,221	27,038
Villages	6,218	1,316	4,375	4,628
Counties, municipal districts and improvement districts	50,129	18,935	46,991	35,873
Hospital and nursing home districts	1,000	—	251	2,359
School divisions and districts	134,823	103,381	134,087	149,677
	$507,368	$553,969	$695,424	$622,196
By Purpose				
Municipal	$334,542	$435,654	$535,295	$444,417
Hospital	1,000	22	251	2,978
School	171,826	118,293	159,878	174,801
	$507,368	$553,969	$695,424	$622,196

General Manager's Report
March 4, 1985

H.H. Strohbach
General Manager

During 1984 the moderation in lending activities continued with loans totalling $554 million for the calendar year. This represents a reduction of $68.2 million from the previous year's loans of $622.2 million. The reasons and explanations for the decline in loans were outlined in our President's Report.

To finance these loans, the corporation borrowed $338.5 million from the Canada Pension Plan Investment Fund and $150 million by the sale of its debentures in the Canadian public market. Short-term borrowings accounted for an additional $15 million of funds raised while the remaining $51 million consists of loan prepayments and internally generated funds. Details of the long-term debt issued in 1984 are summarized below in Table 1.

The Canada Pension Plan Investment Fund was again a major source of funds for the corporation, representing over 61 per cent of all funds loaned to shareholders in 1984. The amounts available from the CPP Investment Fund increased from $298.6 million in 1983 to $338.5 million in 1984 — an increase of over 13 per cent. These funds were available on a 20-year term subject to early call on six months notice. However, no early calls have been made to date by the Fund and the first natural maturity of this debt arises in 1986.

The $150 million of public debentures were issued on August 15, 1984 in the Canadian market in response to loan demands by our shareholders. The issue was priced at $99.25 to yield 13.71 per cent and was generally well received. It was sold for a term of 5 years and carries a coupon rate of 13-1/2 per cent. This issue is identified as the "AU" series of debentures and it is unconditionally guaranteed by the Province of Alberta as to principal and interest.

As a result of the general trend toward lower interest rates, a number of our shareholders have found it advantageous to prepay their outstanding loans. Regular loan prepayments totalled about $13.4 million for the year while a special prepayment of $33.1 million was received with respect to the federal government's share of the Calgary Saddledome debentures. Total loan prepayments of $46.5 million in 1984 compared to $63 million received in 1983. Loan prepayments in 1984 were subject to the new "stop-loss settlement" policy announced by the corporation in November, 1983. Under this policy, the corporation collected slightly over $1.5 million in premiums in 1984. Most of these premiums paid by our shareholders were subject to a full reimbursement by Alberta Municipal Affairs and by Alberta Education.

Table 1: 1984 New Long-term Debt Issues

	Millions	Coupon Rate	Maturity	Price	Effective Cost
CPP	$338	13.1/4%*	2004	$100.00	13.25%
Public	150	13.1/2%	1989	99.25	13.71%

* — Average rate of 12 monthly issues

Table 2: 1984 Debt Maturities

Currency	Millions	Coupon Rate	Issue Date	Maturity Date
Cdn	$15	5-1/4%	Apr 16, 1962	Apr 16, 1984
Cdn	25	5-1/2%	Jun 01, 1964	Jun 01, 1984
US	4	4-3/4%	May 15, 1959	May 15, 1984
US	2	5%	Dec 15, 1959	Dec 15, 1984

J.D. Peters
Assistant General Manager

G.T. Dodds
Secretary-Treasurer

Two Canadian public debenture issues and two public debenture issues payable in United States dollars matured in 1984. These issues are detailed in Table 2 of this report. Sufficient funds had been provided in the sinking fund for the retirement of the two Canadian-pay issues in full, while the two US-pay issues represent the final redemption of debt payable on a serial basis. In 1985 two Canadian-pay debentures and one US-pay serial debenture will mature, totalling $45 million and about $2 million dollars respectively. There will again be sufficient funds available in the sinking fund to retire the two Canadian issues in full.

The gross outstanding debt of the corporation totalled $5.5 billion at December 31, 1984. This represents an increase of $438.5 million or 8.6 per cent over the same amount outstanding at December 31, 1983. A summary of the debt issued and outstanding at the end of December, 1984 is shown in the schedule at the end of this report.

The debenture debt of the corporation is generally subject to sinking fund provisions. The assets of our sinking fund totalled $951 million as at December 31, 1984, compared to $798 million at the end of 1983. The sinking fund assets consist mostly of high grade government and corporate notes and debentures which, in aggregate, yielded a rate of return in excess of 11-1/2 per cent per annum last year. Included in the assets of the sinking fund are about $118 million of debentures issued by the corporation which were acquired in the open market under an ongoing program of maintaining a ready market for the corporation's debentures.

As a result of increased borrowing activities in the Canadian public market, the corporation appointed a trust company as registrar, transfer agent and disbursement agent for its recently issued series "AT" and "AU" debenture debt. This appointment was based on a cost analysis of internal versus contracted services and on competitive tenders received.

In closing, I would like to express my sincere appreciation to the President and Board of Directors, our staff and the many Alberta Treasury employees who have provided services to the corporation throughout the past year.

H.H. Strohbach
General Manager

Sources of Capital
(thousands of dollars)

	Original Issue	Gross Outstanding December 31, 1984	Outstanding as a Percentage of Total
Canada Pension Plan Investment Fund	$2,977,399	$2,977,399	53.6%
Government of Alberta	1,804,000	1,724,000	31.1
Public:			
Canada	875,000	834,180	15.0
United States	80,000	17,979	.3
Total	$5,736,399	$5,553,558	100.0%

How the Corporation Functions

PURPOSE
The Alberta Municipal Financing Corporation is a non-profit corporation. It assists municipal jurisdictions within the province to obtain capital funds at the lowest possible cost through access to capital markets which would not be available to them on an independent basis.

AUTHORITY
The corporation was established in 1956 under the authority of the Alberta Municipal Financing Corporation Act, being Chapter 3 of the Statutes of Alberta 1956 (R.S.A., 1980 CH. A-33).

SHAREHOLDERS
The authorized stock of the corporation consists of the following shares with a par value of $10 each:

- 4500 Class A, available only to the Crown
- 1000 Class B, available only to municipalities (defined as including municipal districts, counties, improvement districts and special areas) and to approved hospitals and hospital districts
- 750 Class C, available only to cities
- 750 Class D, available only to towns and villages
- 500 Class E, available only to school districts and divisions.

The business of the corporation is administered by a board of directors. The Lieutenant Governor in Council appoints five directors to represent the Class A common shareholder. Each of the other four classes of shareholders elects one director to the Board.

REGULATIONS
The Regulations presently in force provide that applications for loans from the corporation must be accompanied by audited financial statements of the applicant, as well as a detailed estimate of the cost of the capital project for which the funds are required.

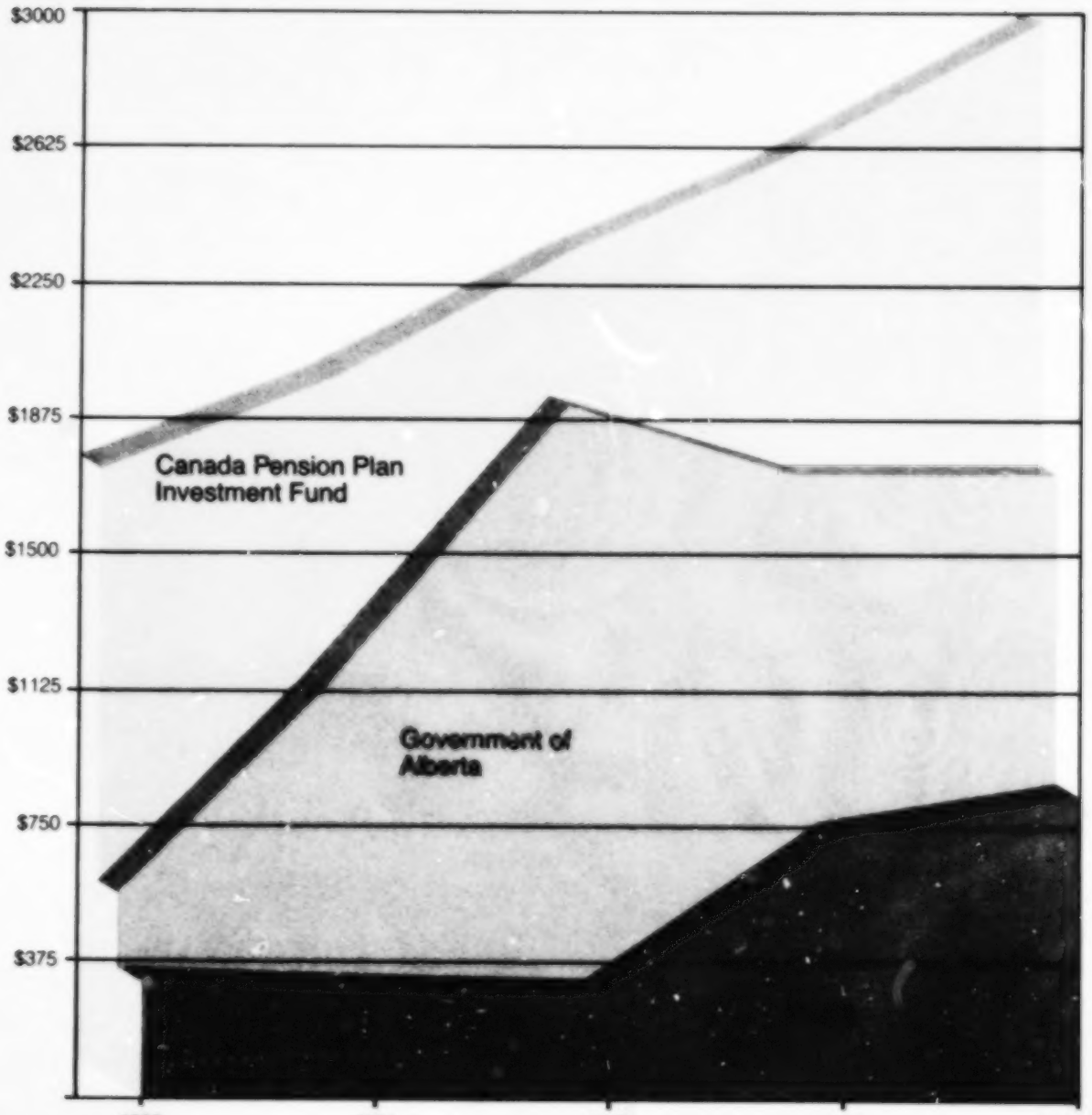
All applications, except those for hospital purposes, must have the approval of the Local Authorities Board of the province as evidence that the applicant has satisfied the provisions of provincial legislation, including debt limitation, related to the borrowing. Maximum terms of loans for various projects are prescribed in the Loan Regulations.

LOANS AND FINANCING
Funds are paid to borrowers in exchange for debentures. Loans to municipal and hospital authorities are secured by debentures repayable in equal annual instalments of blended principal and interest. Loans for school purposes are secured by debentures repayable in equal annual instalments of principal plus interest.

The corporation issues various debt obligations to obtain the funds necessary to finance loan requirements. These obligations of the corporation carry the unconditional guarantee of the Province of Alberta.

Analysis of Outstanding Debt

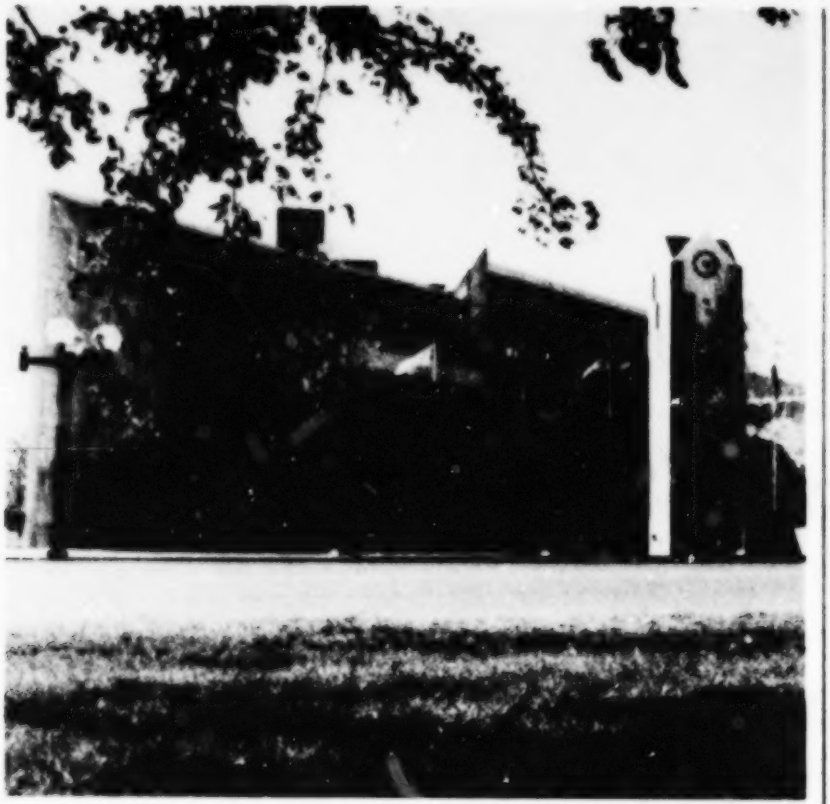
For the Five-Year Period 1980-1984
(millions of dollars)

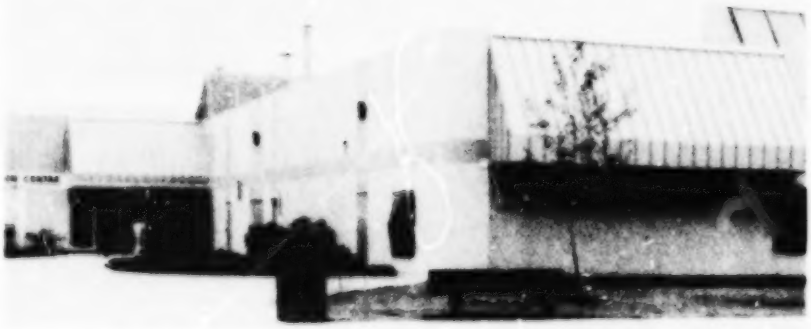


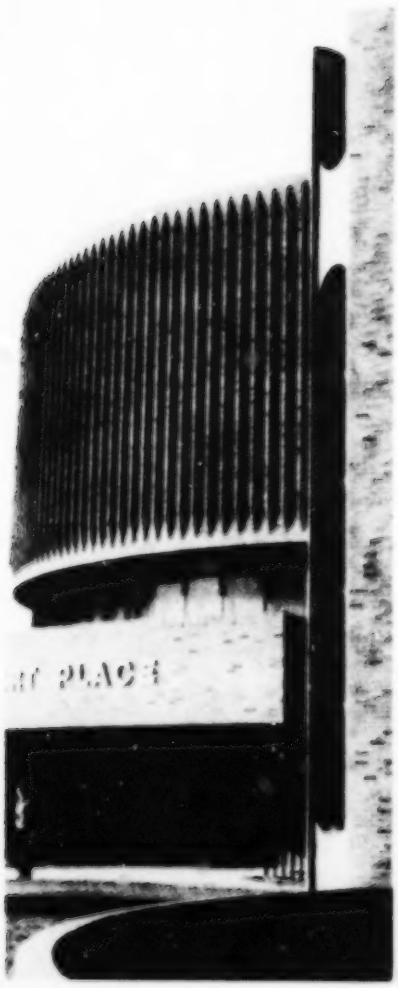
	1980	1981	1982	1983	1984
Total Outstanding	$2 693 9	$3 529 8	$4 645 4	$5 116 8	$5 553 6

Recently completed Municipal Buildings

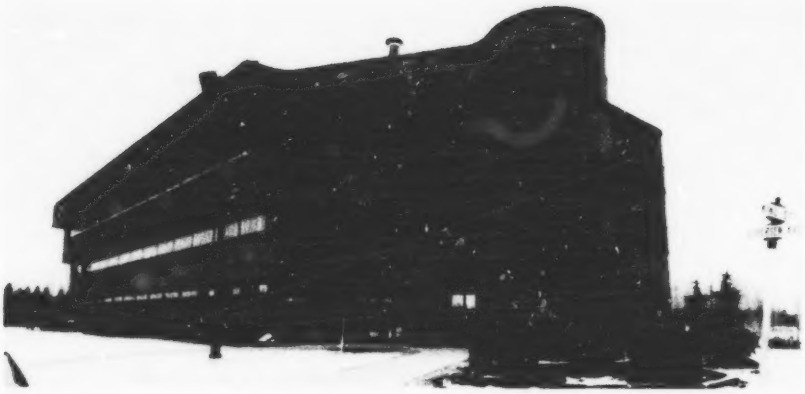
(Clockwise from upper right)
City Hall, *MEDICINE HAT*
Recreation Centre, *OKOTOKS*
Water Plant, *COLD LAKE*
Civic Centre, *ST. ALBERT*

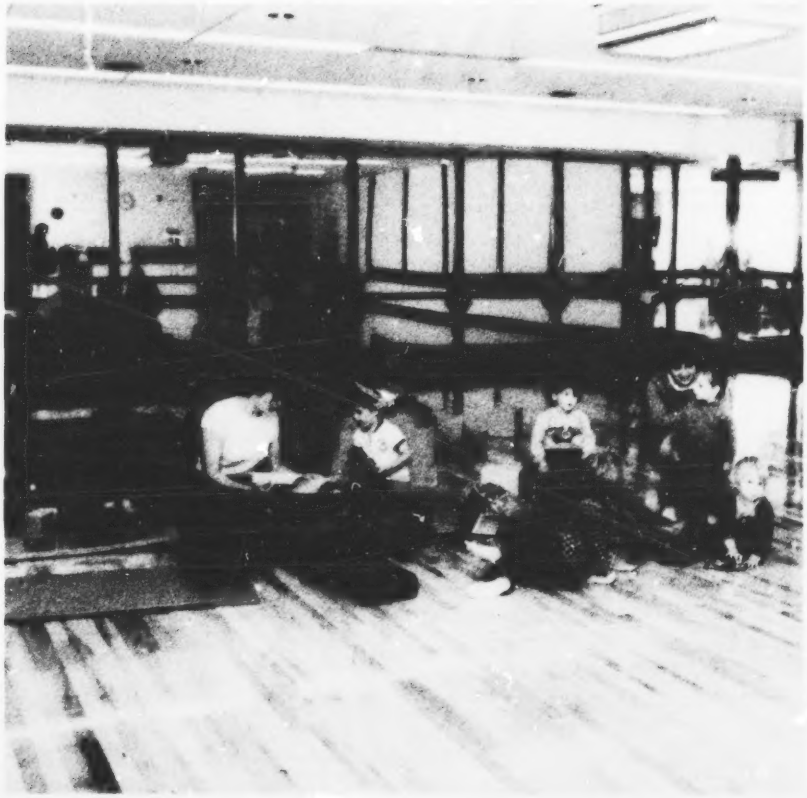


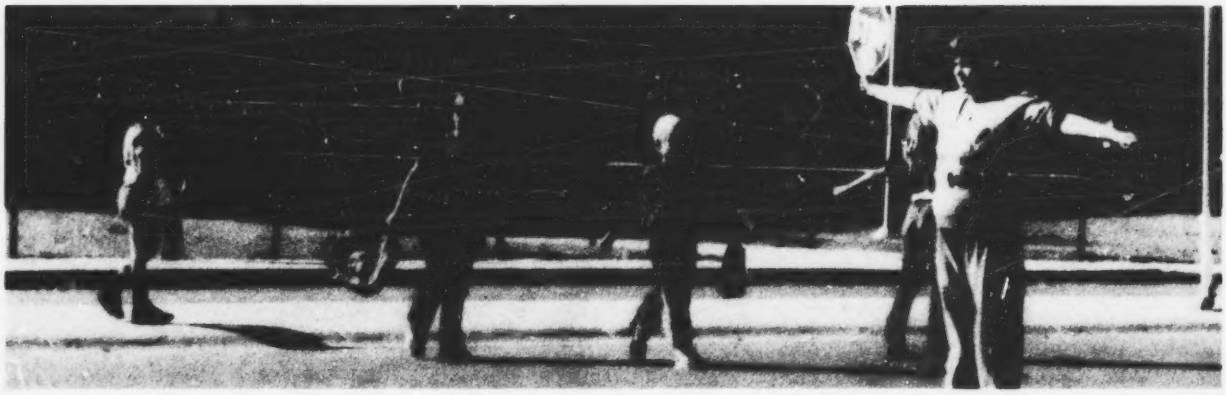




Municipal and School Projects in Alberta

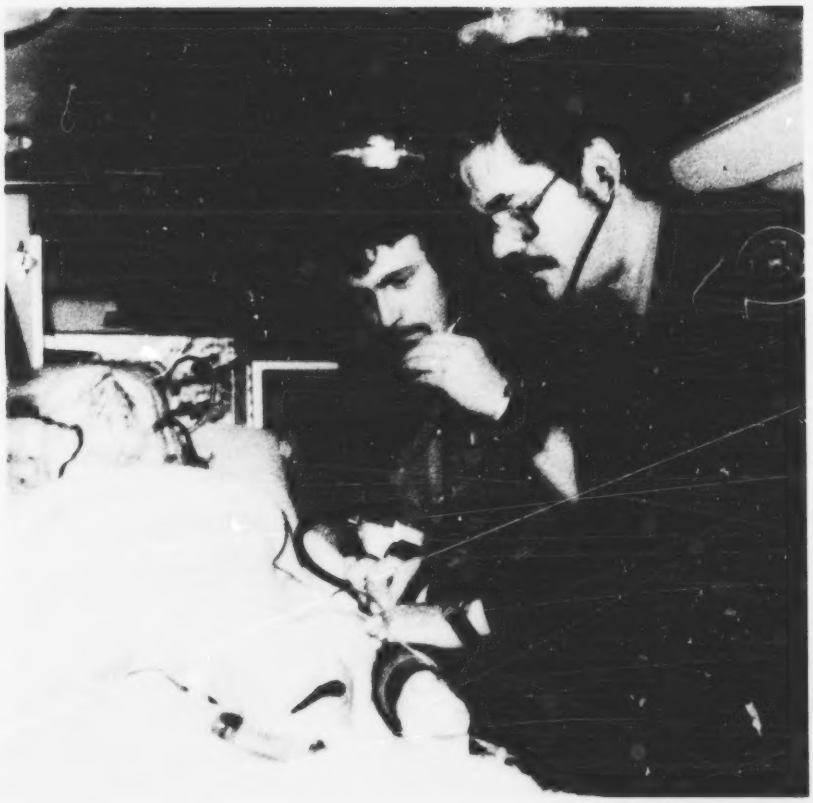


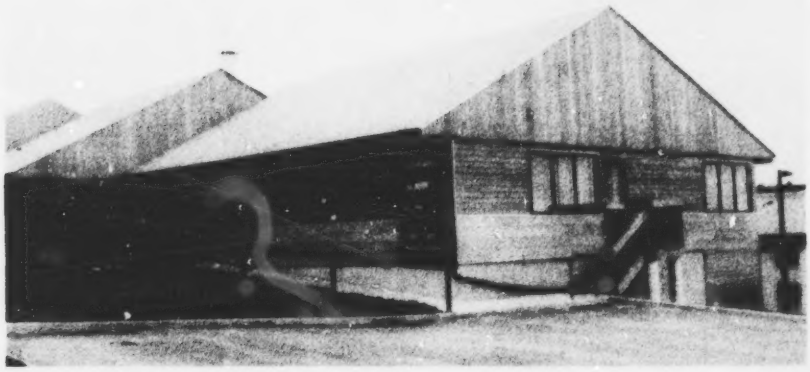




(Opposite page clockwise from right).
Shenfield Civic Centre, *SPRUCE GROVE*
Recreation Centre, *VEGREVILLE*
Glenbow Elementary School, *COCHRANE*
City Hall, *MEDICINE HAT*

(Clockwise from right)
Road Construction, *LETHBRIDGE*
Ambulance Service, *COCHRANE*
Senior Citizens' Centre, *COLD LAKE*
Skater at new Recreation Centre, *OKOTOKS*





Analysis of Debenture Purchases

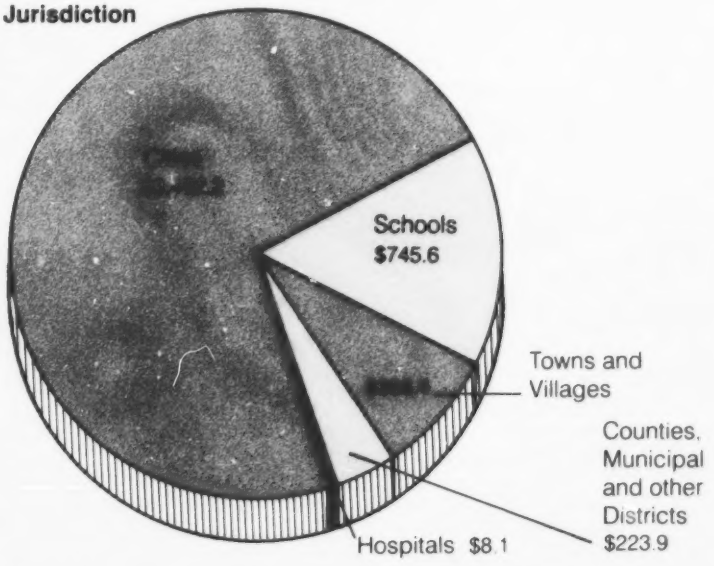
By Jurisdiction and Purpose For the Year Ended December 31, 1984
(thousands of dollars)

	Cities	Towns	Villages	Other	Total
Sewer and water	$124,995	$ 5,121	$1,113	$ 3,851	$135,080
Roads and sidewalks	112,027	4,695	111	—	116,833
Land	12,971	1,218	65	—	14,254
Municipal buildings	73,759	1,050	27	—	74,836
Equipment and machinery	6,488	362	—	172	7,022
Utilities	48,167	151	—	—	48,318
Parks and recreation	38,281	1,030	—	—	39,311
Hospitals and nursing homes	—	22	—	—	22
Schools	—	—	—	118,293	118,293
Total	$416,688	$13,649	$1,316	$122,316	$553,969

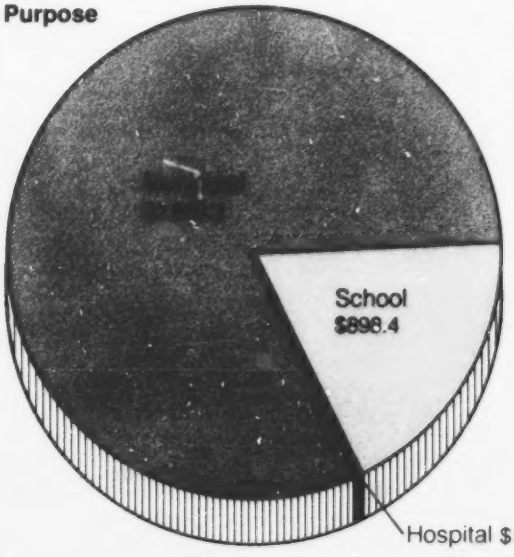
Outstanding Loans

By Jurisdiction and Purpose As at December 31, 1984
(in millions of dollars)

Jurisdiction



Purpose



Total Loans Outstanding
$4,853.2

Schedule of Loans Outstanding

By Jurisdiction and Purpose As at December 31, 1984

(thousands of dollars)

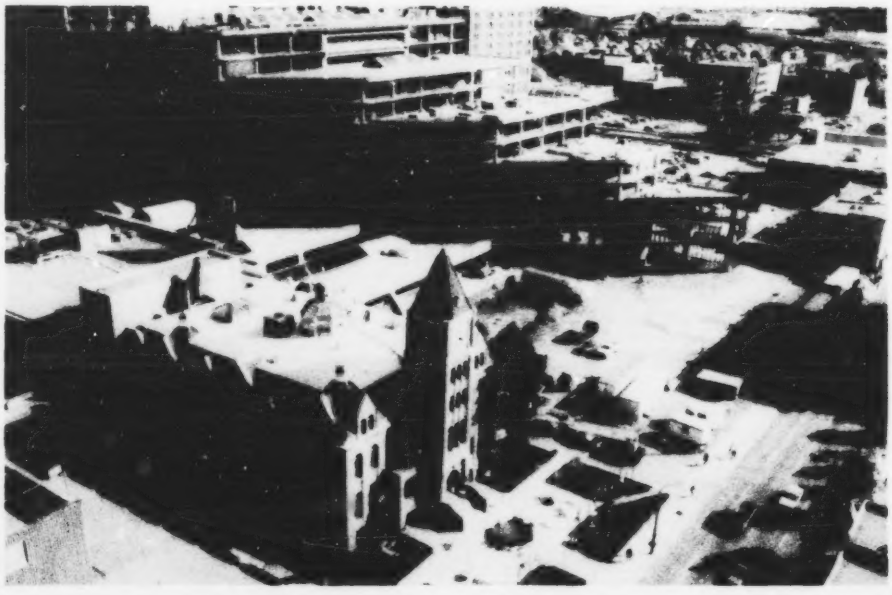
	Principal Outstanding Dec. 31, 1983	New Loans Issued	Principal Prepaid	Principal Outstanding Dec. 31, 1984
By Jurisdiction				
Cities				
Calgary	$1,309,354	$260,000	$ 74,167	$1,495,187
Camrose	18,118	16	506	17,628
Drumheller	9,054	966	338	9,682
Edmonton	1,528,133	135,000	63,419	1,599,714
Fort McMurray	17,656	1,479	1,172	17,963
Grande Prairie	56,755	3,877	1,325	59,307
Leduc	18,601	—	519	18,082
Lethbridge	48,507	6,273	2,316	52,464
Lloydminster	18,604	4,886	1,668	21,822
Medicine Hat	62,103	973	1,263	61,813
Red Deer	76,686	728	2,105	75,309
St. Albert	38,053	1,955	652	39,356
Wetaskiwin	13,619	535	284	13,870
Total Cities	3,215,243	416,688	149,734	3,482,197
Towns	357,990	13,649	18,785	352,854
Villages	41,223	1,316	1,987	40,552
Counties — School	144,784	14,912	9,162	150,534
— Other	49,736	3,280	4,252	48,764
Municipal districts	5,054	743	354	5,443
Improvement districts	5,784	—	52	5,732
Irrigation and water services	13,591	—	183	13,408
Hospitals	8,451	—	319	8,132
School districts and divisions	686,533	103,381	44,291	745,623
	$4,528,389	$553,969	$229,119	$4,853,239
By Purpose				
Municipal	$3,677,412	$435,654	$174,818	$3,938,248
Hospital	17,310	22	694	16,638
School	833,667	118,293	53,607	898,353
	$4,528,389	$553,969	$229,119	$4,853,239

Ten-Year Review: 1975-1984

(thousands of dollars)

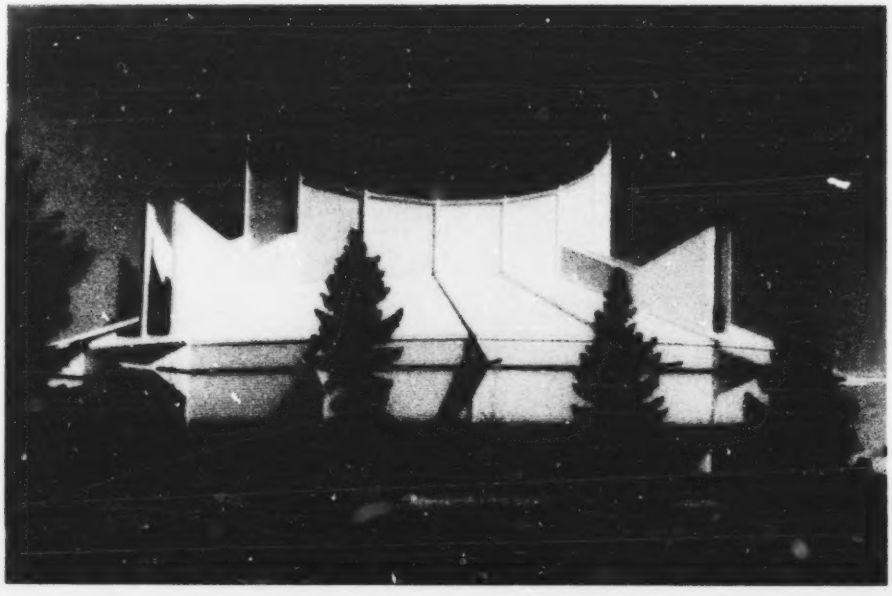
New loans issued during year:	1984	1983	1982
By jurisdiction:			
Cities	$ 416,688	$ 402,621	$ 858,068
Towns and villages	14,965	31,666	62,884
County, municipal and other districts	18,935	35,873	40,853
Hospitals	—	2,359	800
School divisions and districts	103,381	149,677	157,183
Total	**553,969**	**622,196**	**1,119,788**
By purpose:			
Municipal	435,654	444,417	913,450
Hospital	22	2,978	19,332
School	118,293	174,801	187,006
Total	**553,969**	**622,196**	**1,119,788**
Loans repaid during year	229,119	211,226	118,398
New debt issues sold during year	488,491	748,582	1,116,673
Outstanding debenture debt at December 31	5,553,558	5,116,788	4,645,360
Sinking fund assets at December 31	951,144	797,845	668,897
Retained earnings at December 31	355,686	290,699	233,968
Lending rate at December 31 (based on 20-year term)	13 ⅛%	12 ⅝%	13 ¼%

The old and the new city halls, *CALGARY*



1981	1980	1979	1978	1977	1976	1975
$ 582,833	$ 521,309	$ 333,727	$ 267,327	$ 239,524	$ 204,086	$ 205,427
99,429	94,039	89,837	62,036	52,134	56,003	31,588
49,172	47,306	18,206	14,820	12,975	15,895	12,361
4,715	19,275	74,316	51,686	25,462	35,522	14,051
107,726	60,734	41,893	22,980	37,258	39,595	18,228
843,875	**742,663**	**557,979**	**418,849**	**367,353**	**351,101**	**281,655**
688,728	639,491	432,637	336,457	294,856	263,716	239,717
8,715	19,275	76,316	53,808	27,956	43,522	19,051
146,432	83,897	49,026	28,584	44,541	43,863	22,887
843,875	**742,663**	**557,979**	**418,849**	**367,353**	**351,101**	**281,655**
101,582	400,710	669,655	91,227	76,794	62,900	54,284
844,111	676,439	461,392	469,576	343,413	422,179	275,007
3,529,752	2,693,913	2,338,364	2,407,159	2,047,806	1,714,167	1,401,459
480,475	405,756	359,266	329,917	271,432	223,546	185,436
128,105	121,928	102,919	103,787	83,173	64,353	48,898
16 ½%	13 ¾%	12%	10 ⅜%	9 ¼%	10%	10½%

Space Sciences Centre, *EDMONTON*



ALBERTA
LEGISLATURE

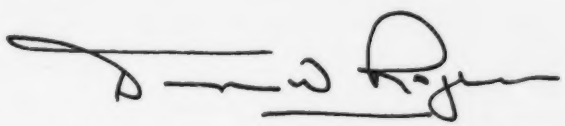
OFFICE OF THE AUDITOR GENERAL

Auditor's Report

To the Shareholders
of the Alberta Municipal Financing Corporation

I have examined the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 1984 and the statements of revenue, expenditure and sinking fund earnings, retained earnings, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.



F.C.A.
Auditor General

Edmonton, Alberta
March 4, 1985

Balance Sheet
As at December 31, 1984
(thousands of dollars)

	1984	1983
Assets		
Cash	**$ 7,280**	$ 4,916
Accrued interest receivable	**228,604**	212,140
Loans to municipal authorities	**4,853,239**	4,528,389
	$5,089,123	$4,745,445
Liabilities and Shareholders' Equity		
Liabilities:		
Short-term note payable to the Provincial Treasurer	**$ 14,694**	$ 32,000
Accrued interest payable	**136,506**	125,769
Net debenture debt (Schedule 1 and Notes 3 and 4)	**4,582,174**	4,296,914
	4,733,374	4,454,683
Shareholders' Equity:		
Share capital: (Note 5)		
Authorized: 7,500 common shares, par value $10 per share		
Issued and fully paid:		
1984 — 6,342 shares (1983 — 6,339 shares)	**63**	63
Retained earnings	**355,686**	290,699
	355,749	290,762
	$5,089,123	$4,745,445

The accompanying notes are part of these financial statements.

Statement of Revenue Expenditure and Sinking Fund Earnings

For The Year Ended December 31, 1984
(thousands of dollars)

	1984	1983
Revenue:		
Interest on loans	**$614,507**	$566,756
Interest on deposits	**2,653**	6,677
Fees on loan prepayments	**1,547**	—
Gains on redemption of debenture debt	**392**	608
	619,099	574,041
Expenditure:		
Interest on debentures	**644,396**	593,462
Amortization of debenture discount	**3,664**	3,563
Interest on short-term notes	**2,063**	237
Exchange losses on debenture debt	**731**	85
Administration and office expense	**297**	296
Debt service charges	**117**	111
Public debenture issue expense	**43**	122
Directors' and officers' fees and expenses	**15**	14
	651,326	597,890
Operating income (loss)	**(32,227)**	(23,849)
Sinking fund:		
Net earnings	**97,214**	80,580
Excess of revenue and sinking fund earnings over expenditure	**$ 64,987**	$ 56,731

Statement of Retained Earnings

For The Year Ended December 31, 1984
(thousands of dollars)

	General Fund	Sinking Fund	1984 Total	1983 Total
Balance at beginning of year — as previously reported	$(507,146)	$797,845	**$290,699**	$229,856
— prior years' adjustment	—	—	**—**	4,112
— as restated	(507,146)	797,845	**290,699**	233,968
Operating income (loss)	(32,227)	—	**(32,227)**	(23,849)
Sinking fund earnings	—	97,214	**97,214**	80,580
Sinking fund contributions	(96,085)	96,085	**—**	—
Transfers on debt retirement	40,000	(40,000)	**—**	—
Balance at end of year	$(595,458)	$951,144	**$355,686**	$290,699

Statement of Changes in Financial Position

For The Year Ended December 31, 1984
(thousands of dollars)

	1984	1983
Funds were provided from:		
Debenture debt issues:		
Canada Pension Plan Investment Fund	**$338,491**	$ 298,582
Public	**150,000**	450,000
Loan repayments	**229,119**	211,226
Transfers from sinking fund on debt retirement (Schedule 2)	**40,000**	41,000
	757,610	1,000,808
Funds were applied to:		
Operating loss	**32,227**	23,849
Add (deduct) non-cash items:		
Gain on redemption of debenture debt	**392**	608
Amortization of debenture discount	**(3,664)**	(3,563)
Accrued portion of interest	**5,727**	25,945
Funds applied to operations	**34,682**	46,839
New loans	**553,969**	622,196
Reduction of debenture debt	**51,329**	276,546
Discount on sale of debentures	**1,875**	12,687
Contributions to the sinking fund (Schedule 2)	**96,085**	89,368
	737,940	1,047,636
Net increase (decrease) in cash and short-term borrowings	**$ 19,670**	$ (46,828)
Represented by:		
Net increase (decrease) in cash	**$ 2,364**	$ (14,828)
Decrease (increase) in short-term notes payable to the Provincial Treasurer	**17,306**	(32,000)
	$ 19,670	$ (46,828)

Notes to the Financial Statements
December 31, 1984

Note 1 **Authority**

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-33, Revised Statutes of Alberta 1980.

Note 2 **Significant Accounting Policies and Reporting Practices**

(i) These financial statements have been prepared in accordance with generally accepted accounting principles except as follows:

(a) Bonds, debentures, mortgages, bond coupons and residuals and mid-term money market securities are carried at cost adjusted for deferred unamortized realized gains and losses.

Realized gains and losses on disposals of these investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

(ii) Other significant accounting policies are as follows:

(a) Short-term money market securities are carried at cost.

Realized gains and losses on disposals of short-term money market securities are included in the determination of net income.

(b) The cost of investments includes the amount of applicable amortization of discount or premium using the straight line method over the life of the investments.

The cost of investments disposed of is determined on the average cost basis.

(c) Debenture debt, cash, accrued interest, short-term money market securities and accounts payable denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Investments, other than short-term money market securities, and revenue items are translated at historical exchange rates.

Gains and losses arising from the translation of foreign currencies are included in the determination of net income except:

(i) unrealized exchange gains or losses relating to hedged debenture debt which are deferred until the debt is extinguished, and unrealized exchange gains or losses relating to unhedged debenture debt which are deferred and amortized over the remaining life of the debt, and

(ii) unrealized exchange gains or losses relating to hedged monetary assets which are deferred.

(d) Debenture discount, including underwriting commission, arising on the issue of debenture debt is deferred and amortized over the term of the debt. Public debenture issue expenses are charged against income as they arise.

(e) On redemption of each debenture debt issue, the accumulated contributions from the general fund together with related accumulated earnings are transferred from the sinking fund to the general fund.

Note 3 **Debenture Debt**

(a) The debenture debt of the corporation is fully guaranteed by the Province of Alberta.

(b) Debentures amounting to $2,977,399,000 held by the Canada Pension Plan Investment Fund are redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing to the Provincial Treasurer and observing the other redemption provisions of the debentures.

Note 4 **Commitments** (thousands of dollars)

The payments required to meet sinking fund and debenture redemption requirements during each of the next five years are as follows:

	Sinking Fund	Debenture Redemption	Total
1985	$104,509	$ 6,616	$111,125
1986	104,509	227,578	332,087
1987	103,142	498,773	601,915
1988	101,940	152,865	254,805
1989	100,022	218,864	318,886
	$514,122	$1,104,696	$1,618,818

Note 5 **Share Capital**

Particulars of share capital are summarized hereunder:

Class	Restricted to	Number of shares Authorized	Number of shares Issued and Fully Paid	Total Dollar Amount
A	Provincial Treasurer	4,500	4,500	$45,000
B	Municipalities and hospitals	1,000	847	8,470
C	Cities	750	539	5,390
D	Towns and villages	750	318	3,180
E	Schools	500	138	1,380
		7,500	6,342	$63,420

1 Class B and 2 Class E shares were issued during the year at $10 each.

Note 6 **Comparative Figures**

The 1983 figures have been restated where necessary to conform to 1984 presentation.

Note 7 **Approval of Financial Statements**

These financial statements have been approved by management.

Schedule 1

Schedule of Net Debenture Debt

As at December 31, 1984

(thousands of dollars)

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding	Deduct Sinking Fund Assets (Schedule 2)	Net Debenture Debt
Provincial Treasurer						
Sep 01, 1981	Sep 01, 1986	16.00%	$ 78,000	$ 78,000	$ 5,628	$ 72,372
Oct 15, 1981	Oct 15, 1986	18.00	100,000	100,000	7,215	92,785
Dec 01, 1981	Dec 01, 1986	15.875	70,000	70,000	5,050	64,950
May 03, 1982	May 03, 1987	15.75	40,000	40,000	1,775	38,225
Jun 15, 1982	Jun 15, 1987	15.375	50,000	50,000	2,218	47,782
Aug 03, 1982	Aug 03, 1987	16.875	70,000	70,000	3,106	66,894
Sep 01, 1982	Sep 01, 1987	15.50	210,000	210,000	9,317	200,683
Sep 15, 1981	Sep 15, 1987	16.25	85,000	85,000	6,133	78,867
Nov 16, 1981	Nov 16, 1987	17.25	86,000	86,000	6,205	79,795
Mar 01, 1982	Mar 01, 1988	16.00	110,000	110,000	4,880	105,120
Jul 15, 1981	Jul 15, 1988	16.00	45,000	45,000	3,247	41,753
Nov 01, 1982	Nov 01, 1989	13.50	150,000	70,000	3,106	66,894
Nov 01, 1979	Nov 01, 1999	11.70	70,000	70,000	9,788	60,212
Mar 03, 1980	Mar 03, 2000	13.45	35,000	35,000	3,677	31,323
Jul 02, 1980	Jul 03, 2000	11.75	30,000	30,000	3,152	26,848
Aug 15, 1980	Aug 15, 2000	13.20	35,000	35,000	3,677	31,323
Nov 17, 1980	Nov 17, 2000	13.75	75,000	75,000	7,879	67,121
Dec 01, 1980	Dec 01, 2000	13.65	50,000	50,000	5,253	44,747
Dec 17, 1979	Dec 15, 2000	11.85	70,000	70,000	11,554	58,446
Dec 15, 1980	Dec 15, 2000	13.60	155,000	155,000	14,518	140,482
Mar 02, 1981	Mar 02, 2001	14.10	30,000	30,000	2,164	27,836
Jun 15, 1981	Jun 15, 2001	16.25	85,000	85,000	6,133	78,867
Oct 01, 1980	Oct 01, 2001	13.66	75,000	75,000	7,879	67,121
Total				1,724,000	133,554	1,590,446
Canada Pension Plan Investment Fund (Note 3 (b))						
Dec 01, 1966	Dec 01, 1986	5.44	40,764	40,764	37,620	3,144
Dec 01, 1967	Nov 01, 1987	5.57	55,194	55,194	44,055	11,139
Dec 02, 1968	Nov 04, 1988	6.56	65,019	65,019	46,833	18,186
Dec 01, 1969	Nov 03, 1989	7.32	76,618	76,618	49,564	27,054
Dec 01, 1970	Nov 02, 1990	8.06	78,282	78,282	45,252	33,030
Dec 01, 1971	Nov 01, 1991	7.18	92,130	92,130	47,336	44,794
Dec 15, 1972	Jun 01, 1992	7.13	54,599	54,599	24,784	29,815
Dec 15, 1973	Sep 04, 1993	7.44	85,433	85,433	34,031	51,402
Nov 15, 1974	Oct 01, 1994	8.34	98,318	98,318	34,090	64,228
Nov 14, 1975	Oct 01, 1995	8.79	137,694	137,694	41,162	96,532
Oct 15, 1976	Sep 01, 1996	9.06	140,685	140,685	35,840	104,845
Oct 14, 1977	Sep 01, 1997	9.06	163,457	163,457	34,976	128,481
Oct 16, 1978	Sep 01, 1998	9.31	176,645	176,645	31,145	145,500
Nov 15, 1979	Oct 01, 1999	10.04	219,206	219,206	30,652	188,554
Nov 14, 1980	Oct 01, 2000	12.35	222,367	222,367	23,361	199,006
Sep 15, 1981	Aug 01, 2001	14.18	216,739	216,739	13,683	203,056
Jun 01, 1982	Jun 01, 2002	15.75	274,735	274,735	10,666	264,069
Apr 05, 1983	Apr 05, 2003	13.82	209,284	209,284	7,815	201,469
Dec 01, 1983	Dec 01, 2003	11.50	231,739	231,739	4,212	227,527
Dec 03, 1984	Dec 03, 2004	13.25	338,491	338,491	—	338,491
Total				2,977,399	597,077	2,380,322

Date of Issue	Maturity Date	Interest Rate	Original Issue	Principal Outstanding	Deduct Sinking Fund Assets (Schedule 2)	Net Debenture Debt
Public, payable in Canadian dollars						
May 15, 1963	May 15, 1985	5.25	20,000	20,000	20,000	—
Dec 01, 1965	Dec 01, 1985	5.50	25,000	25,000	25,000	—
Nov 01, 1963	Nov 01, 1986	5.50	25,000	25,000	25,000	—
Jun 15, 1965	Jun 15, 1987	5.25	25,000	25,000	25,000	—
Aug 15, 1984	Aug 15, 1989	13.50	150,000	150,000	—	150,000
Nov 01, 1969	Nov 01, 1989	8.00	15,000	56	50	6
Nov 15, 1966	Nov 15, 1989	6.25	25,000	25,000	22,096	2,904
Jun 01, 1970	Jun 01, 1990	8.625	28,000	2,124	1,501	623
Jun 15, 1966	Jun 15, 1991	5.75	25,000	25,000	22,440	2,560
May 15, 1967	May 15, 1992	6.00	35,000	35,000	28,382	6,618
Mar 15, 1968	Mar 15, 1993	7.25	52,000	52,000	38,068	13,932
Jan 18, 1983	Dec 15, 2002	12.25	450,000	450,000	12,976	437,024
Total				834,180	220,513	613,667
Public, payable in United States dollars						
Jun 15, 1960	Jun 15, 1985	4.875	30,000 U.S.	2,708	—	2,708
Nov 15, 1962	Nov 15, 1987	5.00	25,000 U.S.	6,521	—	6,521
Dec 15, 1964	Dec 15, 1989	4.625	25,000 U.S.	10,097	—	10,097
				19,326	—	19,326
Less deferred exchange losses				1,347	—	1,347
Total				17,979	—	17,979
				5,553,558	951,144	4,602,414
Less unamortized debenture discount				20,240	—	20,240
				$5,533,318	$951,144	$4,582,174

Schedule 2

Schedule of Sinking Fund Assets

December 31, 1984

(thousands of dollars)

	Par Value	Book Value	Market Value
Investments:			
Bonds and debentures:			
Government of Canada, direct and guaranteed	$342,615	$338,315	$349,259
Provincial, direct:			
— Alberta	10,939	10,943	9,573
— Other	42,840	42,323	43,385
Provincial, guaranteed:			
— Alberta Municipal Financing Corporation	118,241	106,613	100,040
— Other Alberta	31,211	30,873	27,033
— Other	42,139	40,478	37,678
Corporate	61,400	59,498	62,849
Corporate, convertible	1,050	1,036	1,127
Municipal	11,130	11,083	11,801
Mid-term money market securities:			
Notes	37,000	37,001	37,385
Certificates of deposit	2,000	2,000	2,047
United States Treasury bonds and notes	19,821	18,188	19,856
Mortgages	7,414	7,414	7,710
Bond coupons and residuals:			
Government of Canada, direct		106,896	105,439
Deferred unamortized realized gains and losses		(607)	—
		812,054	815,182
Short-term money market securities: [a]			
Treasury bills		27,414	27,414
Total		839,468	842,596
Other Assets: [a]			
Cash		95,327	95,327
Accrued interest receivable		16,349	16,349
Total		111,676	111,676
Total 1984		$951,144	$954,272
Total 1983		$797,845	$783,340

The net increase in sinking fund assets for the year ended December 31, 1984 amounting to $153,299 was financed as follows:

Contributions from the general fund	$ 96,085
Sinking fund earnings	97,214
Transfers to the general fund on debt retirement	(40,000)
	$153,299

[a] Market value is deemed to be book value.